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10 November 1955

# CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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## THE WEEK IN BRIEF

## PART I

OF IMMEDIATE INTEREST

ARAB-ISRAELI SITUATION . . . . . Page 1

Israeli and Arab forces have remained on the alert since the clash in the El Auja demilitarized zone on 2 November, but no further incidents of serious proportions occurred during the week. The border flare-ups coincided with Israel's contention that Western diplomatic action and arms aid are essential to prevent the outbreak of a new Arab-Israeli war.

[REDACTED]

FOREIGN MINISTERS' CONFERENCE . . . . . Page 2

Foreign Minister Molotov's proposal for the establishment of an all-German council spells out the Soviet position--already clear from Soviet and East German statements--that Germany can be reunified only after establishment of a European security system and a rapprochement between the two German states. On the subject of East-West contacts, the USSR is seeking an agreement which would further loosen Western trade controls and endorse the program of international conferences and exchanges of delegations which Moscow has been promoting.

[REDACTED]

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## PART II

NOTES AND COMMENTS

Bolshevik Revolution Anniversary: The 38th anniversary of the Bolshevik Revolution included the traditional speech at the Bolshoi Theater and a gay diplomatic reception, both conforming closely to the Soviet Union's tactics of moderation. The economic portion of the speech focused on the need for increasing labor productivity, suggesting that this problem will receive particular emphasis in the forthcoming sixth Five-Year Plan. The ceremonial military parade displayed no new weapons, and Zhukov's speech was perfunctory.

[REDACTED]

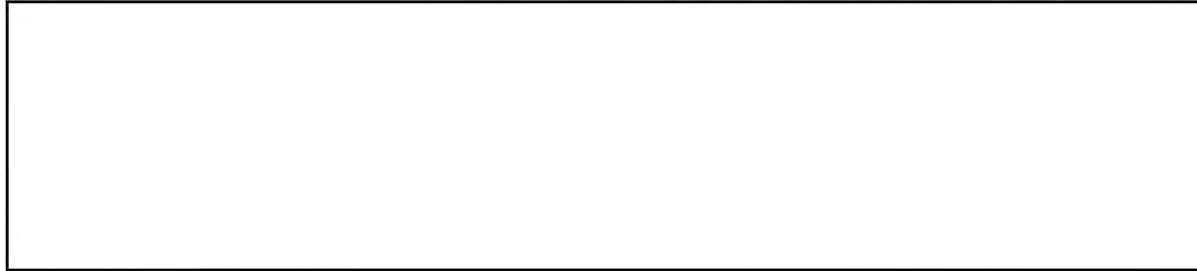
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**Faure Continues Fight for December Elections:** The French National Assembly on 10 November refused by a five-vote margin to accept the Council of the Republic's amendment to Premier Faure's bill calling for dissolution of the assembly on 2 January. Faure has posed a question of confidence for 12 November on a bill calling for elections in December, using the 1951 law without the provision for party alliances. If the motion is passed, elections may still be held next month. The American embassy in Paris does not expect the council to oppose the government a second time. [REDACTED] . . . . . Page 3 25X1

**French Opinion Increasingly Critical of NATO:** [REDACTED] 25X1  
[REDACTED] As the North African situation has deteriorated, France has been forced to withdraw troops committed to the defense of Western Europe, and certain nationalist leaders are calling for even more drastic steps in this direction. Former premier Mendes-France hinted on 3 November that he would campaign in the approaching national elections for cuts in the military budget and the conscription term. [REDACTED] Page 4 25X1

**French North Africa:** The imminent return of Mohamed ben Youssef to Morocco, approved by the French cabinet on 5 November, opens a new phase in French-Moroccan relations. The seriousness of the military situation in Algeria prompted the French minister of defense to request the United States to make available 20 to 30 large helicopters in addition to the seven on hand. [REDACTED] . Page 5 25X1

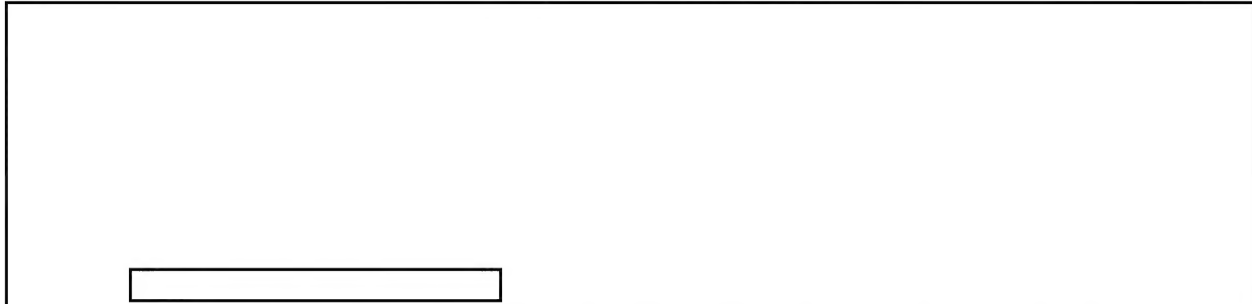
**Afghan-Pakistani Situation:** Tension continues high on the Afghan-Pakistani border as Kabul prepares for a Grand Assembly of the Tribes (Loe Jirgha) scheduled for 14 November to discuss national policy on Pushtoonistan. Prime Minister Daud will probably be able to get at least a general statement of support for his strong Pushtoonistan policy from the assembly. [REDACTED] . . . . . Page 7 25X1

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Further Inflation Anticipated in South Korea: South Korea is once again faced with inflationary pressures which could lead to a serious weakening of the currency. Fed by an unbalanced budget and large expenditures from the counter-part fund for support of South Korea's military establishment and industrial development, the currency supply is expected to expand by 80 percent during the fiscal year ending 30 June 1956. This could result in a price rise of as much as 140 percent and a resumption of bitter public attacks against the United States by South Korean authorities. [REDACTED] . . . . . Page 8

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Closer Relations Between Ecuador and Soviet Bloc: Closer relations seem to be developing between Ecuador and the Soviet bloc. Ecuador's primary aim is apparently the acquisition of arms with which to strengthen its position in the long-standing boundary dispute with Peru. The Soviet bloc's interest seems to lie in increased penetration of Latin America. [REDACTED] . . . . . Page 10

**PART III****PATTERNS AND PERSPECTIVES**

SOVIET AIMS IN THE MIDDLE EAST AND SOUTH ASIA . . . . . Page 1

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Moscow's recent successes in the Middle East have been accompanied by increased Sino-Soviet diplomatic and economic activity in South Asia, where Premier Bulganin and Party First Secretary Khrushchev are scheduled to visit later this month. The aims of Soviet policy are to convince the Asian states that the USSR is the foremost champion of anticolonialism and that the Communist threat has disappeared, to encourage them to follow neutral foreign policies, and to promote closer ties with the Orbit. [REDACTED]

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**AFGHANISTAN'S TIME OF DECISION . . . . . Page 3**

The forthcoming visit of Soviet premier Bulganin and party chief Khrushchev to Kabul in connection with their Indian trip focuses attention on Afghanistan's position between the Soviet bloc and the Western powers. Afghanistan has always been suspicious of foreign aid and of both Soviet and Western activity within its borders. However, in recent years, intensified conflict with Western-supported Pakistan and domestic political developments have resulted in increased susceptibility to Soviet overtures. [REDACTED]

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**EAST GERMAN CAMPAIGN FOR WESTERN RECOGNITION . . . . . Page 7**

East Germany's campaign to gain Western recognition as an independent state has included a continuing trade offensive, incessant propaganda, economic and political pressures, and efforts to gain full or provisional status in various international organizations. Although no non-Communist country has yet formally recognized the German Democratic Republic, several have taken steps in that direction. Bonn officials have indicated privately that they will threaten to break relations with any power recognizing the GDR. [REDACTED]

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**SIGNS OF TROUBLE FOR THE COLOMBIAN DICTATORSHIP . . . . . Page 9**

The regime of General Rojas Pinilla in Colombia faces an opposition which is growing in numbers and improving in organization. Although Rojas has tried to organize mass support for his government, its backing now comes almost solely from the armed forces, which are likely to turn against the dictator if popular dissatisfaction continues to mount. [REDACTED]

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**AGRICULTURAL COLLECTIVIZATION IN SINO-SOVIET BLOC . . . . . Page 11**

Drives to collectivize agriculture have been stepped up in Communist China and renewed in the East European Satellites during 1955. In the Soviet Union, where collective and state farms covered about 95 percent of the total cultivated area as early as 1938, the present emphasis is on expanding output of crops in a system already socialized. China and especially the Satellites are apparently avoiding the worst excesses practiced by the USSR when it introduced collectivization, and are applying methods which may be more effective in the long run in achieving the goals of a collective system. [REDACTED]

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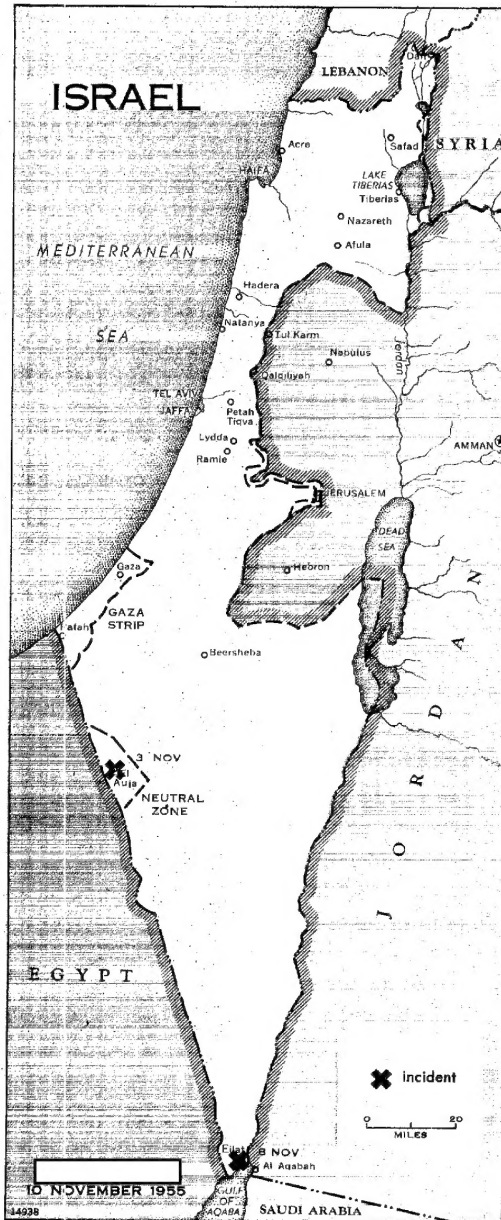
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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****10 November 1955****PART I****OF IMMEDIATE INTEREST****ARAB-ISRAELI SITUATION**

Israeli and Arab forces have remained on the alert since the clash in the El Auja demilitarized zone on 2 November, but no further incidents of serious proportions occurred during the week. Foreshadowing possible future trouble, however, was a clash between small Egyptian and Israeli forces in the vicinity of Eilat, Israel's port on the Gulf of Aqaba.

The El Auja action was followed by sporadic incidents along the Jordanian border, possibly the result of encouragement given the Arab refugees there by Egypt, and by terrorism attributed to Egyptian or Syrian-trained Fedayeen bands operating inside Israel. The extensive mobilization of Israeli forces, which had taken place just before the attack of 2 November, was reportedly relaxed, however, and all the buses and some trucks requisitioned by the Israeli army were returned to civilian use.

The clash near Eilat on 8 November, while possibly inadvertent in itself, recalled an earlier threat by Egyptian prime minister Nasr that Egypt would not counter Israel in the Gaza strip but would strike elsewhere, and the vigorous assertions by Israeli prime minister Ben-Gurion that Israel must break the Egyptian blockade of the Gulf of Aqaba, Israel's alternative to the Suez Canal route to the East.



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The border flare-ups coincided with Israel's contention that Western diplomatic action and arms aid are essential to prevent the outbreak of a new Arab-Israeli war. In this atmosphere, Israeli foreign minister Sharett followed up his talks with the foreign ministers attending the Geneva conference with a trip to the United States. Sharett's movements evoked the usual barrage of hostile statements from the Arab capitals. A press report that the United States was giving consideration to Israeli arms requests sufficed to bring an expression of

"serious concern" from the Iraqi foreign minister.

Egypt's handling of the incidents in its propaganda, which claimed that Egyptian forces had counterattacked in the El Auja area on 3 November and driven the Israelis back with heavy casualties, was interpreted by Israeli officials and other observers to mean that Egypt was not ready at this time to take on Israel in a war. The Cairo regime appeared to be continuing to concentrate on building up its armaments.

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## FOREIGN MINISTERS' CONFERENCE

Germany and European Security

Foreign Minister Molotov's proposal of 2 November for an all-German council, which he strongly defended on 8 November, was based on a plan offered by the East German government. It merely spells out the Soviet position--already clear from East German statements--that Germany can be unified only after establishment of a European security system and a rapprochement between the two German states. Unlike Moscow's frequently proposed provisional government, whose primary goal would have been the holding of all-German elections, the new all-German council would concentrate on closer relations between the two German states in such fields as trade, finance, and communications.

The USSR has not been as blunt as East Germany in stating that the "internal prerequisites" for unity and free elections necessitate changing West

Germany's economic and social pattern to close the gap between it and East Germany and driving "militarists" from power in Bonn. Moscow has shown its support of this principle, however, by insisting on rapprochement between East and West Germany as the first step to reunification. At the 8 November conference session, Molotov stated more clearly than ever that one reason why all-German elections are now impossible is that they might result in the destruction of the East German economic system.

Having bluntly argued that the division of Germany will continue for a long time and can ultimately be ended only by the Germans themselves, the USSR is apparently willing to devote some effort to building up the prestige and stability of the East German Communist regime.

Molotov repeated old proposals for a prompt withdrawal of all but limited contingents

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of troops from Germany and for an agreement by the two German states on the strength of their "armed units." He criticized the West for withdrawing Eden's proposal for an inspection of forces in a zone on either side of the East-West German line. He also claimed that the Western security plan fails to protect Germany's neighbors and in particular provides no safeguards if Germany should decide at some time to ignore its treaty obligations.

**East-West Contacts**

The USSR has continued to insist that free East-West trade must precede any increase in other contacts. It argues that Western strategic controls are the major obstacle to world trade, and are therefore the only important topic for discussion by the subcommittee of experts concentrating on East-West trade. The USSR's tactics have indicated that it hopes to exact an agreement or promise on loosening trade controls as part of any general agreement on increasing East-West exchanges.

The Soviet objective in the negotiations of a second subcommittee of experts on East-West contacts appears to be an agreement reaffirming in general terms the programs the USSR has been encouraging. These could include international conferences and exchanges of delegations in scientific, technical, industrial, agricultural, cultural, and other fields, exchanges of publications, and increased tourism.

On the other hand, the Soviet delegate has used every filibustering and evasive device he could to keep Western representatives from making demands which he says would interfere with Soviet internal affairs. These include the ending of censorship and jamming procedures, better exchange rates for tourists, and freedom of diplomats to travel and free sale of publications within each country. The USSR appears to be concerned by the West's success in pointing to those aspects of the Soviet system that still inhibit meaningful East-West contacts.

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## PART II

NOTES AND COMMENTSBolshevik Revolution Anniversary

The 38th anniversary of the Bolshevik Revolution was highlighted by the traditional speech at the Bolshoi Theater and the currently fashionable gay diplomatic reception the next evening, at which Soviet leaders undertook to dance polkas, mazurkas, and gavottes in demonstration of their human qualities.

Since 1947, the honor of delivering the important annual year-end review has rotated among members of the party presidium. This year's spokesman, L. M. Kaganovich, a first deputy premier and chairman of the State Committee for Wages and Labor, restricted himself to previously well-defined themes of the party line. He remained in character as an Old Bolshevik on a Bolshevik occasion, combining doctrinaire attitudes and expressions with the Khrushchev-Bulganin coexistence policy.

His speech, although it utilized such clichés of the revolution as "dictatorship of the proletariat," "class struggle," and "belief in the victory of Communism in the 20th Century," nevertheless managed not to distort the Soviet Union's current peace line.

Foreign Policy Implications

Kaganovich reaffirmed the USSR's loyalty to "the struggle for peace and coexistence" but reiterated the adamant Soviet stand on the German issue and the need for agreeing on a European security plan. His brief reference to disarmament marked time along the lines of Bulganin's 19 September letter to President Eisenhower in stressing the necessity of ending the armaments race and banning atomic weapons.

Kaganovich devoted particular attention to the USSR's good relations with the Bandung powers and affirmed the significance of Bulganin's and Khrushchev's coming visits to India, Burma, and Afghanistan. He declared that the Soviet Union will always remain on the side of the peoples of Asia and Africa in their struggle for freedom and independence.

Kaganovich analyzed the nature of Communist revolution at some length, in an apparent attempt to rebut Western charges of international Communist conspiracy while reaffirming faith in the inevitable world triumph of socialism. This was the first public speech by a top Soviet leader which rationalized the relationship of the USSR and non-Orbit Communist parties within the framework of "relaxation of tensions."

Internal Implications

Kaganovich carefully steered around the troubled question of the composition of the Soviet leadership. He did not even dimly echo any implied criticism of Molotov, and discreetly observed the "collectivity principle" by balancing praise for Khrushchev's and Bulganin's speeches before "our central committee." Achievements of the Soviet Union were prudently assigned to the leadership of Lenin and the Communist Party.

Reflecting present Soviet preoccupation with the sixth Five-Year Plan to be promulgated at the Twentieth Party Congress in February 1956, Kaganovich focused attention on the labor productivity problem in industry, transport, and agriculture. He stressed the necessity for rapid introduction of up-to-date scientific and technological

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achievements and rationalization of labor. This emphasis probably anticipates the major methods for expanding industrial output which will be employed in the forthcoming plan.

Kaganovich called for Satellite implementation of "the Lenin plan for construction of Socialism." He stressed co-ordination of bloc economic plans and, unlike recent discussions of the same subject, said nothing about special conditions in each of the Satellites. Such projected co-operative economic planning may signify an increased role for the Council of Mutual Economic Assistance.

**Military Parade**

Marshal Zhukov's 10-minute oration preceding the 7 November

parade was the mildest address delivered by a military figure since Stalin's death. There were no references to encircling military bases, imperialist threats, or military groupings, and only an indirect call for strengthening the Soviet armed might, a standard ingredient of such speeches.

The display of military force, conforming to this pattern, was of modest proportions. No new Soviet aircraft were displayed in the parade fly-by, which included one BISON jet heavy bomber, nine BADGER jet medium bombers, and fewer than 50 jet fighters. Similarly, in contrast to previous Soviet celebrations, the parade revealed no new ground equipment and was a perfunctory display.

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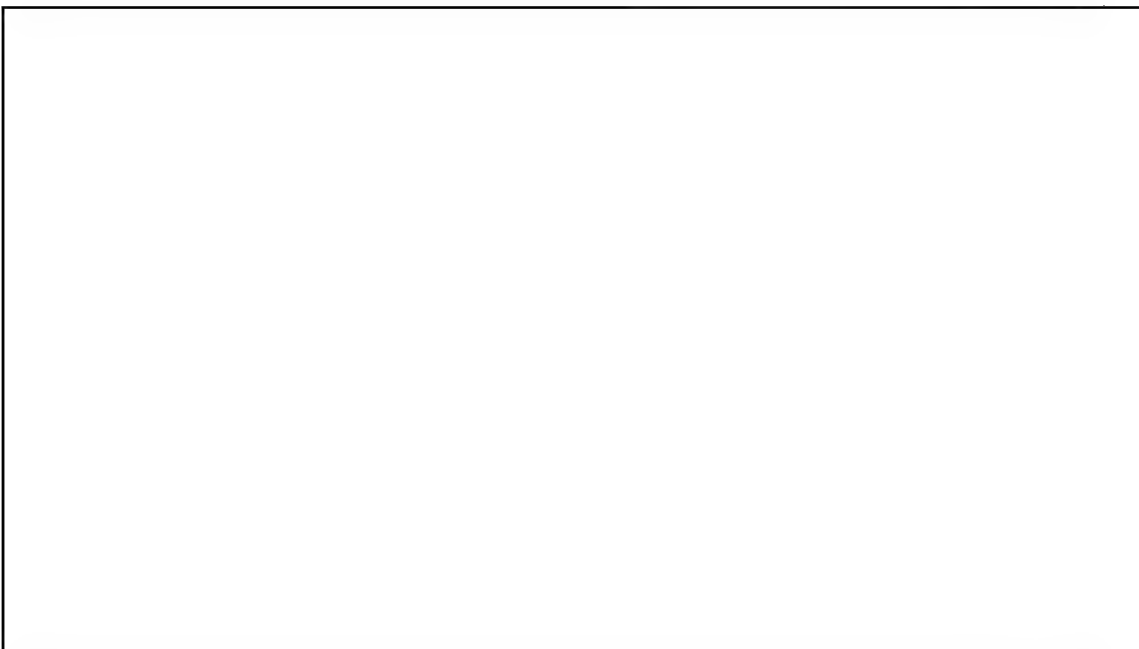
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Faure Continues Fight  
For December Elections

The French National Assembly on 10 November refused by a five-vote margin to accept the Council of the Republic's amendment to Premier Faure's bill calling for dissolution of the assembly on 2 January. Faure has posed a question of confidence for 12 November on a bill calling for elections in December using the 1951 law without the provision for party alliances. If the motion is passed, elections may still be held next month. The American embassy in Paris does not expect the council to oppose the government a second time.

The tight schedule implied in Faure's 3 November proposal demanded immediate compliance with his wishes. Under law, the Ministry of the Interior must

have official notification by 20 November to permit a single-ballot election on 18 December to allow dissolution of the assembly on 2 January. The amendment added by the council, specifying a different election procedure than that suggested by Faure, would have ruined the premier's schedule because it would have necessitated new electoral district boundaries.

Under the new plan reportedly proposed by Faure on 10 November, elections would be held under the 1951 law which permits departmental party lists in the 90 departments of metropolitan France. Party alliances, however, would not be permitted, and the party winning a majority would get all the seats in the department. If no party won a

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majority, the seats would be distributed by proportional representation.

The single-candidate system suggested by the council has been championed by Mendes-France, who won Radical Socialist support for it over Premier Faure's opposition during the party congress of 3-6 November. Under this system, each party could present one candidate in each electoral district of approximately arrondissement size. If no candidate won a majority on the first ballot, a plurality would suffice in a runoff vote.

Much of Faure's coalition, particularly Popular Republicans and Independents, have stated a preference for the 1951 law with party alliances. Despite their official opposition to the pres-

ent electoral law, many Socialists would also probably favor it over a single-candidate system. Moreover, the resolution reportedly offered by Faure for the 12 November confidence vote is the system voted for by the assembly's Universal Suffrage Committee which was based on a Socialist proposal to remove the alliance provision.

The Communists, who voted with the government on the 3 November dissolution bill, had been hoping to turn the method of party affiliation permitted in the 1951 law to their favor by alliances with the Socialists. While the new Faure proposal would make this impossible, they could still hope to gain by the distribution of seats through proportional representation.

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French OpinionIncreasingly Critical of NATO

There has been a marked decline in French support for NATO during the past year as the North African situation has deteriorated. France has been forced to withdraw troops committed to the defense of Western Europe and certain nationalist leaders have been calling for steps which would have an even more drastic effect on the Western alliance.

The French government holds to the position that NATO, the cornerstone of Western defense, is not a subject for East-West discussion; but this firmness has been attributed more to Foreign Minister Pinay than to the more "flexible" Premier Faure.

At Geneva last July, Faure seemed on the verge of officially advocating the idea, proposed by former premier Mendes-France before the UN General Assembly

last year, that there might be agreements between the Warsaw pact powers and NATO, and perhaps even a fusion of the two.

The French public interpreted the results of the summit talks as a full-fledged detente. It is thus receptive to current Soviet efforts to picture NATO as the primary stumbling block to a German settlement and to progress toward security and disarmament.

The American embassy in Paris on 21 October commented on the general lack of enthusiasm for NATO in France

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Mendes-France's address to the Radical Socialist Party's congress on 3 November was an apparent move to exploit such sentiment in the coming national elections. Urging the party to adopt a social and economic reform program to be financed primarily by savings in the military budget, he further proposed that after the North African problem is solved the military conscription term be reduced immediately from 18 to 15 months, and as soon as possible to 12 months.

A more immediate threat to NATO stems from the French government's determination to reinforce North Africa at the expense of NATO-committed military forces in Europe. Many troop transfers have been made during the past year with only summary notice to SHAPE, and half of the French army's combat strength is now across the Mediterranean. The minister of national defense indicated to Ambassador Dillon on 5 November that there might be additional transfers of NATO-committed ground forces from Europe.

Even more drastic moves are being demanded in other quarters.

Gaullist senator Michel Debré, perhaps the most influential member of the Council of the Republic, recently told Dillon that most Frenchmen now consider NATO "the wrong kind of alliance in the wrong place," i.e., a military alliance in Europe, where no fighting is taking place, instead of in North Africa. He proposed that NATO be enlarged--in area as a basis for a common Western policy for North Africa, and in scope by stressing economic and social functions along lines already advocated by Scandinavian member countries.

An editorial in the influential leftist Paris daily Le Monde suggested in mid-September that France cut its NATO military commitments to a few M-day divisions and retain the remainder of its forces for purely national missions, as Britain and the United States have done. During the military budget debates in the National Assembly in July, the chairman of the assembly's defense committee proposed that France's primary NATO defensive mission be the Western Mediterranean and Africa.

The government must soon request assembly approval of additional military expenditures because of the expanded North African operations. Renewed recriminations can be expected against the subordination of France's national interests to those of the Western alliance as a whole.

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French North Africa

Morocco: The imminent return of Mohamed ben Youssef to Morocco, approved by the French cabinet on 5 November, opens a new phase in French-Moroccan

relations. Ben Youssef has thus far adopted a conciliatory attitude toward Paris. Once installed in Rabat, however, probably before the 18 November

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anniversary of his initial accession to the throne in 1927, he is almost certain to resort to his former obstructionist tactics in relation to the French.

Despite Ben Youssef's cordial conversations with French government officials, terrorism in Morocco remains at a record level. His failure to mention the continued terrorist activity in his press releases is causing uncertainty and cynicism among French residents in Morocco. The French settler organization, Presence Francaise, bowing to the inevitability of Ben Youssef's reinstatement, has turned to the defense of French long-term interests in Morocco and now demands "numerically equal" representation for French and Moroccans in all government councils. The organization also requests representation during the negotiation of reforms and the proposed new French-Moroccan treaty.

Relations between the sultan and the dominant nationalist party, Istiqlal, are not yet clear, although the party has indicated its willingness to participate in a Moroccan government. The less important Shoura, also known as the Democratic Party of Independence, is intensifying its campaign to build up its organization at the expense of the Istiqlal party.

Many previously pro-French Moroccans

are said to have joined the Shoura in an effort

to get on the nationalist bandwagon. French officials who have in the past played off one nationalist group against the other probably will try to capitalize on this rivalry among the nationalists.

Algeria: The seriousness of the military situation in Algeria prompted the French minister of defense to request the United States to make available 20 to 30 large helicopters in addition to the seven on hand. The defense minister said that in view of the difficult terrain conditions, the only alternative to increasing the number of helicopters in use by French forces was to augment French troops in Algeria to 300,000. Present military strength is estimated at 145,000, and any appreciable increase could be made only at the further expense of France's NATO commitments.

Slow progress is being made to implement Governor General Soustelle's modest reform program. Algerian Moslems now are contemptuous of such measures as recognition of Arabic as a second language and separation of the Moslem religion from state control, though they had agitated for these measures for more than 10 years.

Soustelle has advocated that parliamentary elections not be held in Algeria simultaneously with those in France and that revision of the Algerian Statute be postponed until after Algerian elections are held. Such delays might cause more of the moderate Algerian Moslems to adopt the hardened position of the extremists.

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Afghan-Pakistani Situation

Tension continues high on the Afghan-Pakistani border as Kabul prepares for a Grand Assembly of the Tribes (Loe Jirgha) scheduled for 14 November to discuss national policy on Pushtoonistan. Opponents of Prime Minister Daud may attempt to use the meeting to discredit him, but Daud will probably be able to obtain the assembly's support for his unyielding policy on Pushtoonistan and will try to interpret this as approval of his over-all foreign policy.

While continuing to deny any hostile activities, Afghanistan is apparently keeping up pressure on the Pakistani border. Press stories have reported border incidents and

sabotage within Pakistan, one of which has been confirmed by the Pakistani Foreign Ministry.

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No major disturbance is likely, however, until the assembly has passed on the Pushtoonistan issue. If Daud is able to obtain even an equivocal expression of confidence from the tribesmen, he will have demonstrated his independence of other elements of the royal family, and may then pursue his anti-Pakistani and pro-Soviet policy more vigorously.

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Further Inflation Anticipated  
In South Korea

South Korea is once again faced with inflationary pressures which could lead to a serious weakening of the currency. Fed by an unbalanced budget and large expenditures from the counterpart fund for support of South Korea's military establishment and indus-

trial development, the currency supply is expected to expand by 80 percent during the fiscal year ending 30 June 1956. This could result in a price rise of as much as 140 percent and a resumption of bitter public attacks against the United States by South Korean authorities.

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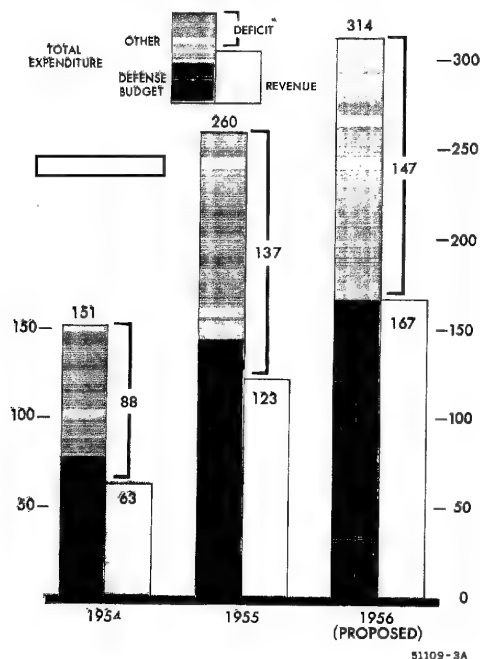
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The major factor in the proposed budget deficit is the national defense allocation of \$165,000,000, which is just about equal to the government's entire anticipated revenue for fiscal 1956. President Rhee has directed that none of the counterpart funds, which are generated by the sale of imported aid goods, be used to reduce the military budget deficit, probably because he is using the deficit as the basis for demanding a \$100,000,000 increase in American aid. Thus, so long as South Korea maintains its large military establishment, the achievement

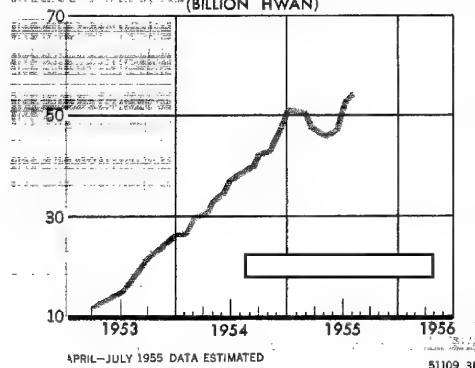
**SOUTH KOREAN BUDGET  
EXCLUSIVE OF FOREIGN AID  
(MILLIONS OF DOLLARS)**



of a balanced budget will be difficult.

American economic officials in Seoul estimated in early

**SOUTH KOREAN MONEY SUPPLY  
(BILLION HWAN)**



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1955 that an annual increase of 25 percent in the price level was the maximum which could be tolerated without severe damage to the South Korean economy and to the objectives of the American aid program. However, wholesale prices in Seoul rose by over 60 percent in the first eight months of this year, and in August, the price index was more than double that of the previous year.

Following establishment of the 500-1 hwan-dollar rate in August, the South Korean government, in its first real demonstration of co-operation on economic issues, adopted numerous measures in an attempt to hold the line against further inflation. It took prompt action to price aid goods at the new, more realistic rate; disposed of some of its own foreign exchange; reduced governmental expenditures, partly by postponing civil and military pay increases; cracked down on black markets; and made plans for fiscal and credit reform.

This encouraging trend is now in danger of being reversed by political considerations.

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President Rhee personally canceled a decision of the National Assembly to increase government revenues from the sale of monopoly goods and services. Income taxes were recently reduced, although American officials believe that the tax burden has not yet reached a desirable maximum. The decision to let surplus rice deteriorate rather than sell it to Japan, as well as the general ban on trade with Japan, has hurt the economy. Reports also suggest that a considerable portion of imported aid goods are being diverted from government to private channels.

The exchange rate is fixed at its present levels until September 1956 by US-South Korean agreement. President Rhee has argued for years that constant changes in the rate were responsible for past inflation, and that a fixed rate would automatically stabilize prices. Should this theory be proved false by a significant rise in prices in the coming months--as is certain at the presently planned level of foreign assistance--he is likely to shift responsibility to the United States by renewing his charges of nonco-operation on the part of American aid officials. [REDACTED]

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Closer RelationsBetween Ecuador and Soviet Bloc

Closer relations seem to be developing between Ecuador and the Soviet bloc. Ecuador's primary aim is apparently the acquisition of arms, while the bloc's interest seems to be in increased penetration of Latin America.

expand relations with Ecuador. Czechoslovakia, besides attempting to increase its general trade with Ecuador, has added a commercial attaché and reportedly a military attaché to its legation and has established a regular courier service.

Poland, whose minister accredited to Quito is resident in Mexico City, has been making "unbelievably favorable" offers of merchandise in an effort to increase its sales in the Ecuadoran market.

Ecuador's desire to get arms from Soviet bloc sources evidently stems from its longstanding boundary dispute with Peru and the fears of Peruvian intentions which caused it to bring charges of aggression before the Organization of American States in early September. Ecuador has not been able to obtain the arms it wants from sources in the western hemisphere.

there have been several [REDACTED] examples of efforts by members of the Soviet bloc to

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The Ecuadoran government does not view Communism as a clear and present danger either to the country or to the continent. President Velasco has characterized the cold war as "a struggle between two materialistic powers" and has allowed unrestricted freedom of activity to some 45 Communist exiles from Guatemala.

The Ecuadoran Communist Party, which has about 5,000

members, is rather poorly organized and has little influence, but its secretary general is a member of the Ecuadoran Senate and has considerable prestige among Latin American Communist parties.

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## PART III

PATTERNS AND PERSPECTIVESSOVIET AIMS IN THE MIDDLE EAST AND SOUTH ASIA

Moscow's recent successes in the Middle East have been accompanied by increased Sino-Soviet diplomatic and economic activity in South Asia, where Premier Bulganin and Party First Secretary Khrushchev are scheduled to visit later this month. The aims of Soviet policy are to convince non-Orbit Asian states that the Communist threat has disappeared, to encourage them to follow "neutralist" foreign policies, and to promote closer ties with the Orbit.

Moscow probably believes it can exploit "the Geneva spirit" and, together with Communist China, employ divisive tactics that will exclude Western influence in the area in an ever-increasing degree. It is unlikely the South Asian states will ignore overtures from Moscow and Peiping. There has already been a report that the Thai premier fears US-Chinese Communist negotiations will leave Thailand in the lurch with its "tough policy" toward Communist China.

Bulganin and Khrushchev are scheduled to visit the three Asian states which thus far have responded most favorably to Soviet approaches--Afghanistan, India, and Burma. They undoubtedly hope their visit to the area will cause even the most pro-Western states of Africa and Asia to re-examine the wisdom of their present policies.

In encouraging closer relations between the Sino-Soviet bloc and the more "neutralist" members of the Arab League and South Asian states, the USSR aims to "encircle" the Baghdad powers and isolate the Asian members of the Manila pact--Thailand and Pakistan in particular--as a first step

toward weakening their ties with the West. The Soviet leaders will probably try to convince their Asian hosts that both the Baghdad and Manila pacts must be dissolved.

Aid Policy

Moscow's current policies toward the Bandung nations--all the major states of the Middle East and South Asia--have been carefully designed to take advantage of popular attitudes and the aspirations of individual states or groups of states, regardless of the fact that many are pursuing firmly anti-Communist internal policies. Moscow's military assistance to Egypt and its formal support, along with that of Nehru and U Nu, to the "five principles" and the objectives of Bandung are cases in point.

The USSR's prompt response to requests by "neutralist" Arab League states for military assistance will serve as a cogent example to the South Asian states of the advantages of reaching long-range commercial agreements with the Soviet bloc, ostensibly free from the threat of Communist subversion and on a basis profitable to both sides. Kaganovich said in his October Revolution address on 6 November that the USSR had no designs for exporting revolution.

Moscow will probably continue to present its offers to the South Asian states without strings attached, in a form most likely to be accepted by the sensitive Asian nationalists. The Soviet Union probably will emphasize the favorable prospects for expanded

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Soviet economic and technical assistance to the South Asian states, rather than the military aid which it found more appropriate for the "neutralist" Arab states.

Participation in Conferences

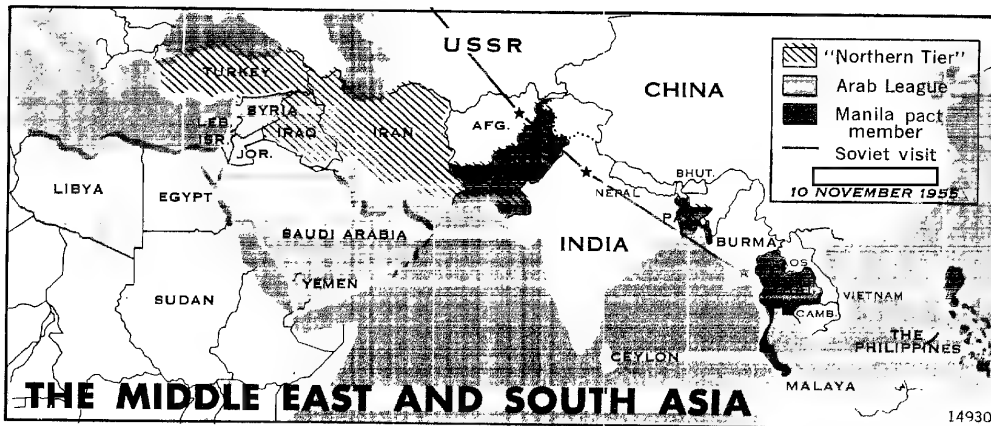
The USSR probably will press for full participation in Middle Eastern affairs at an early date. Soviet spokesmen have already indicated that Moscow would be willing to sign a treaty in conjunction

Middle East problems, Moscow will attempt to accomplish its aims by unilateral efforts to increase its influence with the Bandung powers.

A Soviet correspondent in Geneva believes the USSR will be invited to participate in a second Asian-African conference, which he understands will be held in Cairo in the spring of 1956

Khrushchev and Bulganin reportedly will visit Cairo to discuss

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with other powers guaranteeing the neutrality of the area. There have been several indications that the USSR might press for a separate conference on Middle East problems following the foreign ministers' meeting in Geneva.

Izvestia declared on 3 November, however, that the USSR would not adhere to the 1950 tripartite declaration by the US, UK and France on the Middle East and thereby become a party to the "colonizing" approach of the Western powers toward the Arab states, especially Egypt.

In the absence of talks with the Western powers on

this matter with Egyptian premier Nasr. Prime Minister U Nu has already expressed his personal willingness to accept the Soviet Union as a participant. Moscow would have a unique opportunity at such a conference to press for its objectives.

Baghdad and Manila Pacts

There are already signs that Moscow and Peiping are making overtures designed to "dissolve" the Baghdad and Manila pact alignments. Moscow protested to Tehran when Iran adhered to the Baghdad pact on 12 October and remained officially cool toward Iranian officials for several weeks.

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Subsequently Moscow eased its pressure on Iran. Soviet propagandists nevertheless continue to point out to the Iranians, Iraqis, Turks and Pakistanis the disadvantages of their alignment with the West; insisting that it can only perpetuate imperialism, drain their national treasuries and bring harm to the people.

The USSR recently expressed its pleasure with Thailand's conduct in international affairs and commended Foreign Minister Prince Wan. In addition, Communist China has reportedly offered to sign a treaty of non-aggression with the Philippines which would include a Chinese promise not to use a Communist-controlled Taiwan as a base for an attack on the Philippines. There are also indications that Moscow may soon ask for a resumption of relations with Australia.

Both Moscow and Peiping have for some time advocated establishment of an Asian security pact in which all the

nations of the Pacific, including the United States, would participate. In Moscow's view, this would replace such alignments as the Manila pact.

Sino-Soviet Co-ordination

The USSR and Communist China appear to be in accord with regard to over-all Communist policies toward the Arab and South Asian powers and there are, in fact, some signs of close co-ordination between Moscow and Peiping. Both have defined their policies toward the Bandung powers as being based on the "five principles" and the objectives of the Afro-Asian conference. They also have promoted India as the leader of the area and as a candidate for "sixth great power" status in international affairs. A successful Sino-Soviet effort to promote a "neutralist" bloc of Asian states with India and Egypt as keystones would accomplish the immediate aims of both the USSR and Communist China.

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AFGHANISTAN'S TIME OF DECISION

The forthcoming visit of Soviet premier Bulganin and party chief Khrushchev to Kabul in connection with their Indian trip focuses attention on Afghanistan's position between the Soviet bloc and the Western powers. Afghanistan has always been suspicious of the political implications of both Soviet and Western activity within its borders. However, in recent years, intensified conflict with Western-supported Pakistan and domestic politi-

cal developments have resulted in increased susceptibility to Soviet overtures. The Soviet Union has taken advantage of these developments to cultivate a closer relationship with Afghanistan.

Bulganin and Khrushchev probably will try to take advantage of these circumstances to attempt to tie Afghanistan in more closely with current Soviet strategy in the Middle East.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****10 November 1955****Traditional Afghan Orientation**

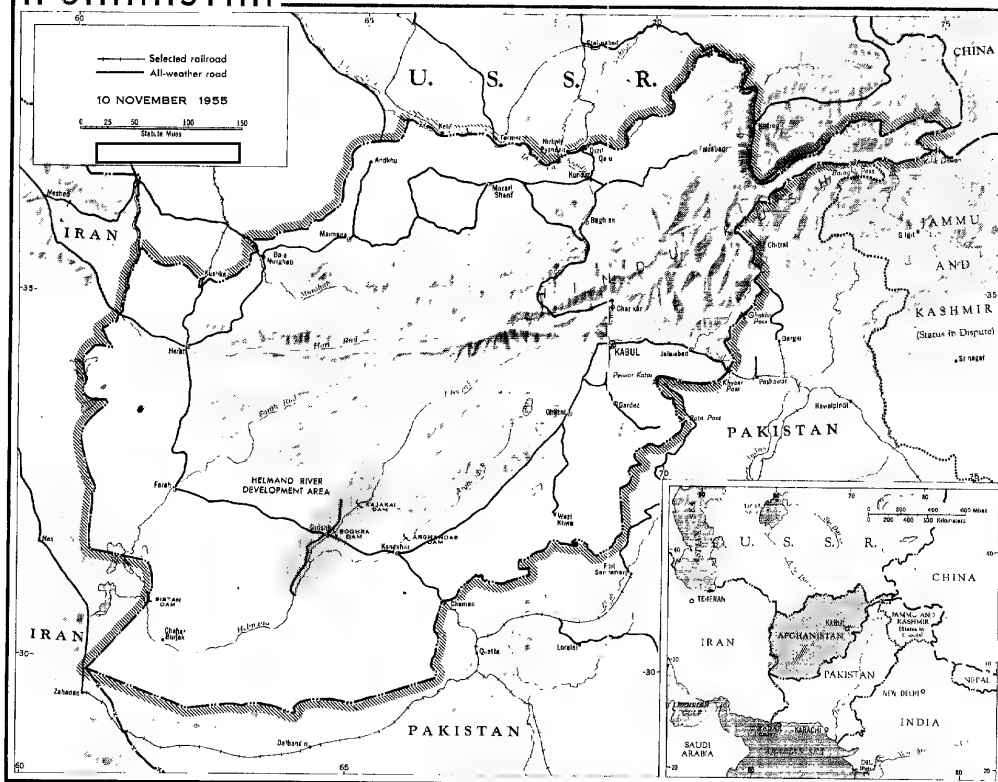
For almost 150 years Afghan policy has aimed almost exclusively at maintaining independence in the face of pressure from Russia on the north and Britain on the south and profiting from competition between the great powers. At some times, Russian influence has been predominant; at others, British. Afghanistan has always managed to shake off both.

Even though the British withdrew from India in 1947, the Afghans have assumed that the competition continues, partially as a result of the American interest in the area. Their traditional policy remains unaltered. King Zahir Shah in opening the Afghan National Assembly on 2 July 1955 expressed it simply: "The pursuit and preservation of neutrality has

formed, and still forms, the axis of our government's policy." Prime Minister Daud in an independence day address on 31 August used almost identical words.

Although the Afghan-Soviet treaties of 1921 and 1931 provided for establishment of close ties, Soviet contact with Afghanistan prior to 1954 was limited to routine matters--boundary and quarantine questions, a moderate amount of trade under a barter agreement signed in 1950, and an extension of credit in 1953 for construction of four gasoline storage facilities in northern Afghanistan.

During this period, the Afghans seemed to prefer Western economic contacts. Beginning in 1951, \$8,200,000 in direct technical assistance

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was received from the United States. Export-Import Bank loans totaling \$39,200,000 financed development of the Helmand Valley by the American construction firm of Morrison-Knudsen. Afghanistan's trade with nonbloc countries was three to five times greater than with the USSR.

Recent Developments

In 1954, the USSR extended the equivalent of \$6,200,000 and Czechoslovakia \$5,000,000 for development projects, such as grain and gasoline storage facilities, road-building equipment, and small industrial plants. These are to be repaid in goods over an extended period.

The Pakistani blockade of normal Afghan trade routes in the summer of 1955 apparently resulted in a stepping up of deliveries under the barter agreement with the USSR, although these were inadequate to meet all the shortages caused by the blockade. After the blockade was lifted, Afghanistan continued to attempt to develop transportation channels independent of Pakistan, including those through the USSR which were provided for in a transit agreement signed last June. Afghan export-import trade with West Germany is already reported moving over this route. Afghanistan is attempting to improve its road connections with the Soviet border.

Negotiations for arms from Czechoslovakia are under consideration and deliveries under a \$3,000,000 cash deal are apparently already being made. An Afghan military mission is about to depart for Prague and two Czech arms experts are reportedly in Kabul. New Soviet offers to provide without charge teachers and equipment

for Kabul University and a 500-bed hospital for the capital have recently been reported. All Soviet-Afghan deals in the past, however, have been on a cash or credit basis, and many previous offers of gifts were not carried out.

Radio Moscow has with increasing frequency in the past few months linked Afghanistan with Egypt, Syria, and others which have rejected the "northern tier" defense arrangement, calling them the "neutral, peace-loving nations of the Middle East." This propaganda may be preparatory to modification by the USSR of its past individual, cautious approach to Afghanistan in favor of an attempt to include Afghanistan in the Soviet Middle Eastern strategy.

Afghanistan's Present Attitude

Afghanistan has recently indicated increased dissatisfaction with the long-term aspects of the Helmand Valley program and suggested several changes. At least two of these may cause trouble when a pending Import-Export Bank mission, which has to approve the changes, reaches Kabul. They are a proposal to abandon a project to develop roads connecting Afghanistan with Pakistan and to begin development of the Helmand delta area on the Iranian border. The latter proposal raises the danger of intensifying a long-smouldering dispute with Iran.

A possibility of increased American economic aid under the President's Fund for Asian Regional Development, which is tied into co-operation with Pakistan, has received a cool initial reception.

Afghanistan's new national airline, Aryana, which is managed by an American, has also proved unsatisfactory to the Afghans and probably added to their discontent with Western assistance.

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Afghanistan has recently been vigorously attempting to determine what it can expect from both power blocs. It has made clear that its main desire is political support for its unrealistic demands for independence for the Pushtoon tribal areas of Pakistan. It has received no encouragement on this from the West and little from the Soviet Union.

Soviet economic activities, however, such as the recent delivery of Kabul's first modern buses and taxicabs, have attracted favorable attention and have served immediate needs. The \$5,000,000 Czech credit extended in 1954 is to be repaid in goods at 3 percent interest. This probably compares favorably in Afghan minds with the Export-Import Bank loan, which requires repayment in dollars at 3.5 and 4.5 percent.

Afghanistan's long-standing attempt to obtain arms from nonbloc sources has had little success, in part due to the fact that the material would probably be forbidden transit by Pakistan, through which it would have to come. Afghanistan's interest in the recent Soviet bloc arms deal with Egypt and its dealings with Czechoslovakia for arms are therefore not surprising.

Future Trends

The Afghans evidently believe they are not getting what they want from the United States. They may believe they can get it from the Soviet bloc. The fact that several years of American activity has resulted in no political penetration may lead them to feel that similar ties with the USSR can be safely undertaken. Consequently, they may, especially in view of the crisis with Pakistan, be in a

mood to accept Soviet aid without the restrictions they have imposed in the past. These restrictions apparently have limited Soviet activities to the northern part of the country and prevented the permanent stationing of technicians in Afghanistan.

Perhaps the most important factor in the Afghan decision is Prime Minister Daud, who has always been less suspicious of the Soviet Union than other Afghan leaders. Daud has been unable to obtain Western support for his extreme policies against Pakistan and for rapid modernization of his country. He reportedly told the Afghan parliament on 17 October that he now proposes to see what he can get from the USSR.

The calling of a rare Grand Assembly of the Tribes by King Zahir Shah for 14 November indicates a major policy decision is pending. Unlike the "rubber-stamp" parliament, the tribal assembly cannot easily be controlled by Daud and may upset his plans. Presumably, however, he will attempt to limit discussions to the Pushtoonistan issue with Pakistan, and if he obtains support for this, will try to use it to justify the over-all policy of his government.

Although influential elements in the Afghan government probably remain opposed to increasing dependence on the USSR, Daud is stubborn and impetuous and unlikely to retreat from a policy to which he is already deeply committed. Consequently, if he stays in control, he may be receptive to new Soviet offers when Bulganin and Khrushchev visit Kabul, reportedly for a stay of three or four days.

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EAST GERMAN CAMPAIGN FOR WESTERN RECOGNITION

East Germany's campaign to gain Western recognition as an independent state has included a continuing trade offensive, incessant propaganda, economic and political pressures, and efforts to gain full or provisional status in various international organizations.

Western recognition of the German Democratic Republic (GDR) is an important goal of Soviet policy. The Moscow treaty of 20 September by which the USSR ostensibly granted East Germany full independence, was clearly designed to raise the GDR to equality with the Federal Republic and to enhance its capabilities for obtaining recognition.

No non-Communist country has formally recognized East Germany but several have taken steps in that direction, and some will be susceptible to new overtures.

While East Germany will probably concentrate its pressure on the West Germans, it is unlikely to gain recognition from Bonn as long as Adenauer remains in power. In fact, Bonn officially has privately threatened to break relations with any power recognizing the GDR. Bonn must, however, deal with East Germany on a variety of subjects and will probably be willing to meet it on a governmental level on such essential matters as trade and transport.

Air and Land Communications

East Germany now possesses enough of the rights and functions of an independent state to be able to force Western countries to deal with it on certain problems. Among these are sovereignty over its own air space, control over communications between the Federal Republic and West Berlin, and the power to issue visas to all

travelers except officials of Western occupying powers.

Sovereignty over its air space, granted by the Soviet-East German protocol of 25 March 1954 and emphasized in the September 1955 treaty, presumably includes the right to impose some controls on the existing French, British and American commercial air services into West Berlin, and to demand government-level negotiations on their continuation.

Government-level air agreements will probably result from the opening of East Germany to commercial service. The Scandinavian Airways System recently indicated that it may apply to East Germany for overflight rights to Berlin.

The GDR will probably exploit its control over the means of communication between the Federal Republic and West Berlin to the fullest in an attempt to force West Germany and other countries to deal with it on a government level and thus gain some measure of recognition. One possible move in this direction would be to require Western countries, including the United States, Britain and France, to obtain East German permission for any means of nonmilitary transport to West Berlin. Sweden and Denmark have railroad connections into East Germany, and pressure may be brought on them in an attempt to get them into government-level negotiations.

The GDR has also obtained from the USSR the right to visa passports of all travelers entering its territory, with the exception of American, French, and British occupation officials, who are given Soviet documentation. Personnel of other Western military missions stationed in Berlin, however, are required to obtain East German visas.

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Trade Tactics

The East Germans launched a trade offensive in the spring of 1954, and have since had permanent official trade missions accepted by six countries--Finland, Egypt, Burma, Lebanon, Austria and India. With the exception of Austria, each of these countries has signed a government-level trade agreement.

In addition, barter agreements have been concluded between the East German state-owned foreign trade agency and semiofficial trading corporations in many non-Communist countries. East German trade delegations have visited many countries in all quarters of the globe in efforts to find new markets, especially in underdeveloped areas.

East Germany has shown a willingness to exploit its trade with West Germany in the campaign to force recognition, even at some cost to its own economy. This willingness has been demonstrated by East Germany's maintenance of the toll on truck traffic to Berlin in the face of the Federal Republic's retaliatory embargo on some iron and steel products.

Potentially, one of East Germany's most effective means of gaining international stature may be through participating in international organizations, although Western countries generally have opposed its admission, especially in cases where the West Germans have protested. Nevertheless, the GDR has already taken the first steps in

this direction, and can be expected to persist in its efforts.

Free World Stand on Recognition

Three countries--Egypt, Finland, and Yugoslavia--are known to be considering recognition. Finland has already exchanged quasi-diplomatic representatives, the East German emissary in Helsinki having the authority to issue visas.

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Austrian officials feel their government should take a "neutral" approach to the separate Germanies by postponing establishment of formal relations with Bonn and recognition of the GDR. They also say, however, that an East German offer to return Austrian property to Austria would necessitate a "more tangible" response to current informal East German requests for closer relations.

On the other hand, 37 non-Communist countries said they are not willing to recognize the East German regime. The East Germans are probably realistic enough, therefore, not to aspire to general recognition by the West in the foreseeable future, but they may hope to achieve a more or less official status by the establishment of connections with as many countries as possible.

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SIGNS OF TROUBLE FOR THE COLOMBIAN DICTATORSHIP

The regime of General Rojas Pinilla in Colombia faces an opposition which is growing in numbers and improving in organization. Although Rojas has tried to organize mass support for his government, its backing comes almost solely from the armed forces, which are likely to turn against him if popular dissatisfaction continues to mount.

When he overthrew Laureano Gomez in the June 1953 coup, Rojas was generally acclaimed by all but the Gomez faction of his own Conservative Party; and also by the other traditional party, the Liberals. He was expected to bring a return to constitutional government, probably through a Conservative-Liberal coalition, and end the political violence that had plagued Colombia since the Bogota riots in 1948.

Neither expectation has been realized. Rojas, who styled his administration "The Government of the Armed Forces," after a few months began to move toward authoritarianism rather than the constitutional government which had prevailed for 45 years.

The traditional political parties, particularly the Liberals, became increasingly critical. Rojas, meanwhile, attempted to build up an organized mass following of his own. His attempts to end guerrilla activity by political and economic malcontents, which has upset the eastern and central parts of the country, have met with such little success that the majority of the armed forces is now engaged in efforts to maintain public order.

Moves Toward Dictatorship

Rojas has refused to lift the six-year-old state of siege. In August 1954 his hand-picked

Constituent Assembly "elected" him president for four years and voted to continue itself in office for the same period, thus postponing general elections. Plenary sessions of the assembly have now been postponed indefinitely. Rojas has made no move to draw Conservative and Liberal Party leaders into the government.

To silence political criticism, Rojas decreed a sweeping calumny law in October 1954 and later banned opposition radio commentaries while insisting on free radio time and sole television rights for government propaganda. Shortly afterwards, the government formed a national publications board to control the import of newsprint and publish an official daily newspaper. Finally on 3 August, the government closed the influential Liberal daily El Tiempo, one of Latin America's best-known newspapers. Although the original censorship decree has been "lifted," a new "code of ethics" appears to have a net effect of greater stringency.

In the sphere of economic policy, the government has aroused considerable opposition by its high expenditures on the armed forces and propaganda and intelligence services, and on costly projects such as the proposed new capital buildings. Although Colombia is presently enjoying relative prosperity, mainly because of good coffee exports, merchants are concerned over the regime's erratic import control policy, with its favors for the military establishment and other official bodies. There is also widespread criticism of the government's failure to implement promised social welfare measures.

Search for Political Support

Rojas now has little political support from either the

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Liberals or the Conservatives. Since the closing of El Tiempo, the Liberals have shown new party unity and shifted from "loyal" to complete opposition. The right-wing Gomez faction of the Conservative Party continues in opposition, and is now being joined by the more moderate Conservatives under former president Ospina Perez.

The president's attempt to build up a mass organization first took a form reminiscent of Peron's build-up of the trade unions. Early this year Rojas extended official recognition to a new labor group, the National Confederation of Workers (CNT), and tried to activate a government-sponsored national trade union council in a move to increase state control over

labor. The government also tried to consolidate various labor and political groups--the CNT, the Socialist Party and others--into a National Action Movement.

This attempt, however, would have subtracted strength from the Conservative Party and the dominant Union of Colombian Workers, both under strong clerical influence, and so antagonized the politically powerful Roman Catholic hierarchy. Since that time the church felt further affronted by government moves in the field of secondary education undertaken without sufficient consultation of the hierarchy. As a result, a steady crystallization of church opposition to the government has taken place during the past year.

These efforts to create public support having failed, the president and his followers attempted to inflate the president's son-in-law, Moreno Diaz, to a leading position in the Conservative Party. Moreno's unpopularity is such, however, that success of this effort would further antagonize Conservative Party elements. Rojas has already failed to elicit Conservative Party support for his closing of the Liberal journal.

#### Dependence on Armed Forces

Although Rojas seems generally unaware of the extent of popular dissatisfaction, he has come to depend more and more on the armed forces. The army general staff reportedly is increasingly assuming a

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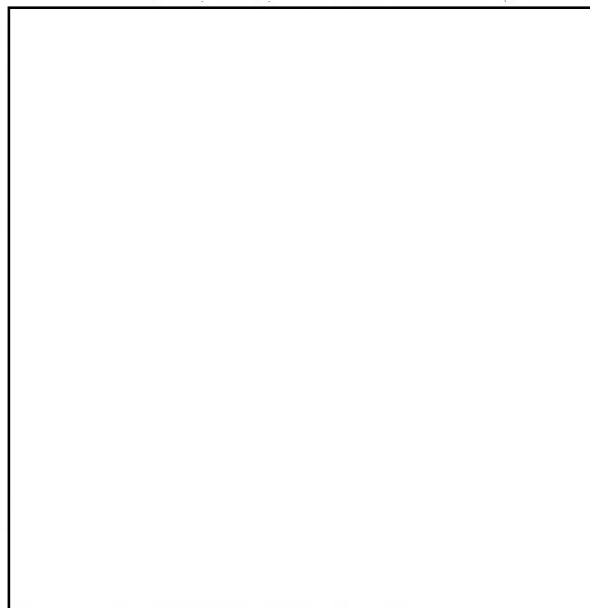
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governmental policy role, with the cabinet steadily being relegated to a rubber-stamp position. Military officers are being placed in increasing numbers throughout the administration, and all ranks now receive various special benefits. Of the 1956 national budget, 26 percent has been allocated to defense expenditures.

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[redacted] the Colombian army, unlike certain other Latin American armies, has no tradition of governing the country in opposition to widespread public opinion. Important Liberal and pro-Gomez Conservative elements are known to exist in the armed forces, and a shift of allegiance on their part to opposition forces is possible.

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[redacted] Most Colombians in the traditionally influential groups are already disaffected. Should dissatisfaction continue to mount, the armed forces too would eventually become dissatisfied. [redacted]

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AGRICULTURAL COLLECTIVIZATION IN SINO-SOVIET BLOC

Drives to collectivize agriculture have been stepped up in Communist China and renewed in the East European Satellites during 1955. The present campaign in China appears to be the direct result of a top-level party decision personally presented by Mao Tse-tung, while the drive in Eastern Europe has probably resulted from a Soviet ruling that the relaxation of collectivization efforts permitted during the "new course" years of 1953 and 1954 is no longer to be tolerated.

In both areas, the programs now under way are utilizing

propaganda and intimidation to induce peasants to co-operate, but are avoiding the force and physical violence characteristic of Soviet collectivization in the 1930's.

Communist China

An increased emphasis on collectivization has been evident in Communist China since the summer of 1955. According to current Communist estimates, the proportion of peasants in agricultural producers' co-operatives--the form of collective used in China and North Korea--will rise from 15 to about

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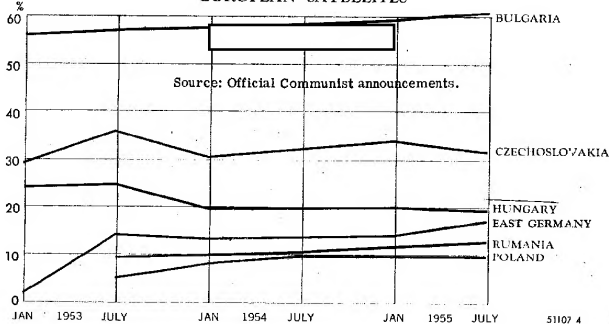
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50 percent between the summer of 1955 and the spring of 1957, a full year ahead of earlier plans. Peasant opposition and the adverse effects of collectivization on agricultural production appear to have worried many Communist planners, but the go-slow advocates in Peiping have been overruled by Mao Tse-tung.

ing agriculture is to secure more direct control over agricultural production in order to support the industrialization program.

Collectivization by itself will not, as alleged in Communist propaganda, increase farm output. On the contrary, the compulsory aspects of large-scale collectivization in other Communist countries, by reducing farming incentives, have tended to depress agricultural production. The higher-than-average yields claimed for existing co-operatives can be accounted for by their preferential treatment in allocation of loans, fertilizer, seed and implements.

**TRENDS IN COLLECTIVIZATION**  
PERCENT OF CULTIVATED LAND IN COLLECTIVES  
EUROPEAN SATELLITES



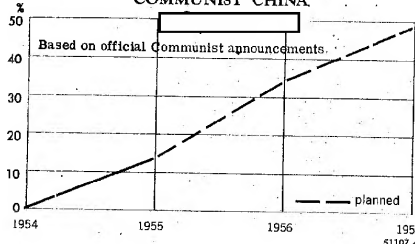
Mao, in one of his rare public pronouncements, called on 31 July for a speed-up of rural socialization and an end to "conservative and indecisive attitudes" among party members. Mao asked that the co-operative movement include half of China's 500,000,000 farm population by early 1958. Subsequent changes in regional plans, attributed to Mao's urging, advanced this goal a year.

Intense political and economic discrimination against individual farmers in recent months makes them afraid not to join co-operatives. In particular, the campaign against counterrevolutionaries has intimidated all peasants and terrorized the rich and upper middle-class peasants, who will be treated by Peiping as bitter opponents of collectivization.

Peiping's immediate economic objective in collectiviz-

In view of the disruptive economic effects of rapid collectivization and Peiping's refusal to allocate investment funds to support plans for substantially expanding agricultural production in the next few years, there is little likelihood that the 1957 food target of an 8-percent increase over the favorable 1955 crop will be achieved. However, unless output falls considerably below the planned level, the Peiping regime probably will control an increasing proportion of total agricultural

**TRENDS IN COLLECTIVIZATION**  
PERCENT OF FARM HOUSEHOLDS  
IN PRODUCERS CO-OPERATIVES  
COMMUNIST CHINA

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output as new co-operatives are formed.

North Korea and North Vietnam

In North Korea, 44 percent of the peasants are already members of producer co-operatives. There is little current emphasis on expanding the socialized sector of agriculture, however, and no North Korean schedule for complete collectivization has been announced. Collectivization in North Vietnam is still several years off as distribution of landlord holdings among peasants is just being completed.

East European Satellites

The European Satellites renewed their efforts to collectivize agriculture early this year following an 18-month period during which they had either played down this program, or, in the case of Hungary and Czechoslovakia, actually retreated from it. The simultaneous revival of the collectivization drive in all the Satellites suggests central direction from Moscow.

In December 1954, East German deputy premier Walter Ulbricht declared that the collectivized acreage would be increased by about 50 percent during 1955.

In June and July 1955, several Satellite regimes sharply stepped up propaganda urging agricultural socialization. Hungarian premier Hegedus and Czech party first secretary Novotny implied that harsh measures would be instituted to make the collectivized sector predominant by 1960. The Polish and Bulgarian regimes also delineated policies of expanding collectivization, albeit on a more modest scale.

Following the Czech regime's announcement of 29 June that the percentage of arable

land controlled by the collectivized sector had dropped from 35 to 33 percent since January, the government emphasized the right of local authorities to sell to co-operatives private farm land not being effectively cultivated, and it continued to publicize the trials of "kulaks" in an effort to intimidate private farmers to join the co-operative movement "voluntarily."

Hungary and Bulgaria apparently are successful in quietly forcing peasants into collectives through discreet pressures applied by local officials.

The decision to press collectivization was made several months before the outcome of the current harvest could be known by the Satellite regimes. It was undoubtedly a political decision motivated by the need to re-emphasize the regimes' socialist goals in reaction to the stress of the "new course" on current production at the expense of collectivization. The relative satisfaction of the Satellites with the 1955 bread grain, root and vegetable harvests will contribute to their willingness to continue to push the program during the next year.

Current indications are, however, that collectivization will proceed without the harsh measures implied in the June pronouncements of the Hungarian and Czech leaders. Since early August, the Czechoslovak regime has refrained from repeating its threats to appropriate land for collectives despite its apparent failure to expand the socialized sector significantly. The Hungarian party press recently warned the local cadres against excessive zeal in collectivizing.

The Satellites--particularly the Hungarian regime--do not want to revive peasant

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resistance which resulted from the extreme collectivization pressure applied in 1952 and led to a retrogression in socialization during the following two years of the "new course."

USSR

In the USSR, where collective and state farms covered about 95 percent of the total cultivated area as early as 1938, the present emphasis is on expanding output of crops within a system already socialized. In general, all recent changes in the system have been marginal in nature,

and aimed at increasing state control or improving management, peasant incentives, and efficiency. Among other measures, the number of collective farms has been reduced from 254,000 to about 89,000 by amalgamation into larger units during the past five years.

Although collectivization was nearly completed over 15 years ago in the Soviet Union, the harsh measures used to reach and maintain this status discouraged the peasants and are one reason why lagging agricultural output is still the USSR's most pressing economic problem.

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